

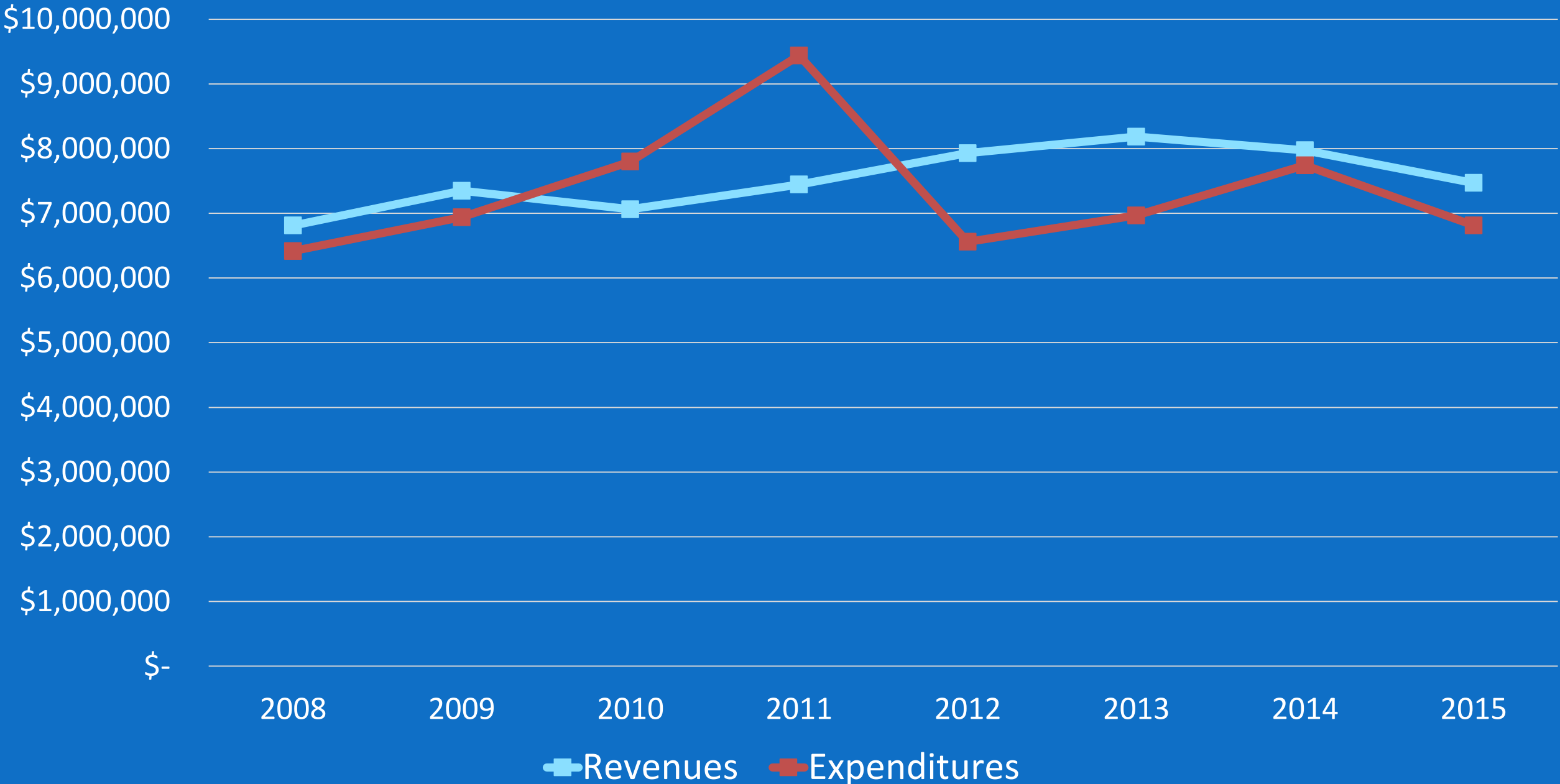
RevEx Issue #2

Pesticide Registration

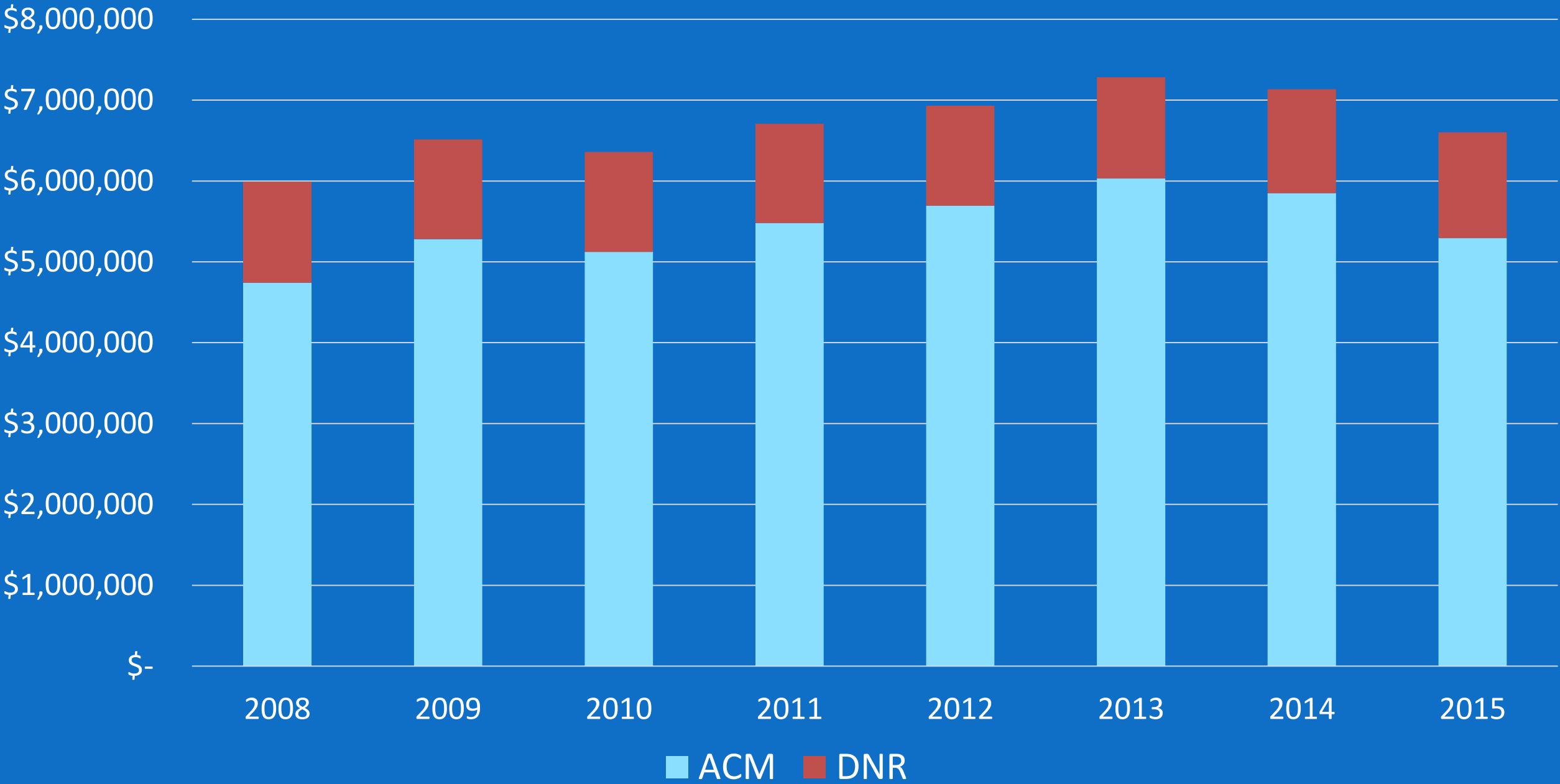
RevEx Review

- Review of all ACM Bureau revenues and expenditures
- Ensure fees are assessed equitably, collected efficiently, spent effectively
- 8 major issues
- Issues 2, 3, 4, and 5 are inter-related
- Today. . . focus on the concepts

ACM Fund Revenues and Expenditures, 2008-2015



Pesticide Registration Revenue, 2008-2015



Acronyms and Abbreviations

Sales Tiers

Sales <\$25,000 = Tier 1

Sales \$25,000-\$74,999 = Tier 2

Sales > \$75,000 = Tier 3

Product Types

Household = HH

Nonhousehold = NHH

Industrial = Ind.

State Agencies

Agrichemical Management Bureau = ACM

Department of Natural Resources = DNR

Issue #2 DATCP Objectives

- Simplify Process
- Auditable System
- Maintain revenue
- Eliminate estimation/reconciliation of sales and fees
- Discontinue collecting confidential sales data, if possible

Issue #2 Assumptions & Constraints

- Discontinuation process/fees remain the same
- New products will be assessed at the lowest tier
- Unregistered products found in the marketplace will continue to be assessed a double fee
- DNR revenue will remain the same

Current Pesticide Product Types

- Household (HH) - Sanitizers, disinfectants, germicides, pet products, insect repellants. Exclusive household/swimming pool use
- Industrial (Ind.) - Not household. Control algae, fungi, bacteria in certain settings.
- Wood Preservatives - Only used on wood. Contains pentachlorophenol or coal tar creosote. In the *Industrial* category for our examples.
- Nonhousehold (NHH) - Not household/industrial, often Ag products
- Exempt - Minimum risk products exempt from federal registration (25 (b))

Current System

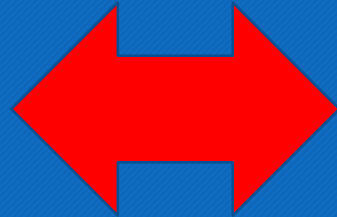
- Very complex
- 5 product types, three sales tiers per type (except exempt)
- Fees per product are based on estimated sales
- Reconcile sales and fees at the next licensing cycle
- NHH products--Tier 3--pay a % of sales

Current process

Year 1:

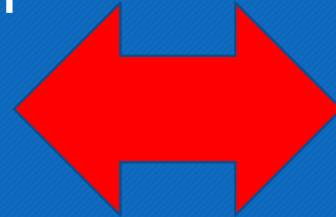
Registrant estimates sales--per product--and pays appropriate fee, per product.

Registrant receives one bill with all product fees combined.



Year 2:

Registrant reports actual sales—per product--from Year 1 and estimates sales for Year 2. DATCP reconciles the estimate and actual year 1 sales and applies credits and debits to the year 2 bill.



Year 3:

Registrant reports actual sales from year 2 and estimates sales for year 3. DATCP reconciles the estimate and actual year 2 sales and applies credits and debits to the year 3 bill.

Current Process

- Estimation/Reconciliation affects ACM Fund, ACCP Fund and DNR.
- Reconciliation issues when products are in NHH--Tier 3, Wood—Tier 3 or when any product changes sales tiers.
- Registrants with many NHH--Tier 3 products can have widely fluctuating fees.
- Auditing is difficult. It takes at least two years to know the actual fees owed/paid on specific products or by specific registrants.

Current Fees (No ACCP)

Product Type	# in 2015	ACM Fee	DNR Fees	Total Fee in 2015
HH Tier 1	4842	\$141	\$124	\$265
HH Tier 2	381	\$626	\$124	\$750
HH Tier 3	426	\$1,376	\$124	\$1,500
Ind. Tier 1	835	\$221	\$94	\$315
Ind. Tier 2	90	\$766	\$94	\$860
Ind. Tier 3	95	\$2,966	\$94	\$3,060
NHH Tier 1	4502	\$226	\$94	\$320
NHH Tier 2	383	\$796	\$94	\$890
NHH Tier 3	451	\$2,966+.2% sales	\$94	\$3,060+ .2% sales
Wood Tier 1	7	\$221	\$5	\$226
Wood Tier 2	1	\$766	\$170	\$936
Wood Tier 3	1	\$2,966	1.1% sales	\$2966+1.1% sales

Scenario 0: Eliminate Estimation

- Pay based on previous year's sales
- No estimation/reconciliation
- *No other changes*

Scenario 0: No estimation

Product Type	# in 2015	ACM Fee	DNR Fees	Total Fee in 2015
HH Tier 1	4842	\$141	\$124	\$265
HH Tier 2	381	\$626	\$124	\$750
HH Tier 3	426	\$1,376	\$124	\$1,500
Ind. Tier 1	835	\$221	\$94	\$315
Ind. Tier 2	90	\$766	\$94	\$860
Ind. Tier 3	95	\$2,966	\$94	\$3,060
NHH Tier 1	4502	\$226	\$94	\$320
NHH Tier 2	383	\$796	\$94	\$890
NHH Tier 3	451	\$2,966+.2% sales	\$94	\$3,060+ .2% sales
Wood Tier 1	7	\$221	\$5	\$226
Wood Tier 2	1	\$766	\$170	\$936
Wood Tier 3	1	\$2,966	1.1% sales	\$2966+1.1% sales

Scenario 0: Summary

Questions, Comments, Concerns

Scenario 1: No Percent of Sales/ Across-the-Board (ATB) Increase

- Eliminate % of sales on NHH-Tier 3 products
- Increase all product fees by an across the board %
- Pay based on previous year's sales; no estimation
- Keep product types and sales tiers
 - Option 1a: No changes to types or sales tier
 - Option 1b: Add more sales tiers for NHH products

Scenario 1a - No NHH % of sales/15% ATB Increase						
Type	Products in 2015	ACM Fees in 2015	15% increase	DNR Fees	Total New Fee	Net % fee increase/decrease per product
HH Tier 1	4842	\$141	\$162	\$124	\$286	8.0%
HH Tier 2	381	\$626	\$720	\$124	\$844	12.5%
HH Tier 3	426	\$1,376	\$1,582	\$124	\$1,706	13.8%
Ind. Tier 1	842	\$221	\$254	\$94	\$348	10.5%
Ind. Tier 2	91	\$766	\$881	\$94	\$975	13.4%
Ind. Tier 3	96	\$2,966	\$3,411	\$94	\$3,505	14.5%
NHH Tier 1	4502	\$226	\$260	\$94	\$354	10.6%
NHH Tier 2	383	\$796	\$915	\$94	\$1,009	13.4%
NHH Tier 3	451	\$2,966	\$3,411	\$94	\$3,505	14.5%, >\$500,000 up to 92% decrease

Scenario 1b - No % of sales/New Sale Tiers/10% ATB						
Category	Products in 2015	ACM Fees in 2015	10% increase	DNR Fees	Total New Fees	Net % fee increase/decrease
HH Tier 1	4842	\$141	\$156	\$124	\$280	5.7%
HH Tier 2	381	\$626	\$686	\$124	\$810	8.0%
HH Tier 3	426	\$1,376	\$1,516	\$124	\$1,640	9.3%
Ind. Tier 1	842	\$221	\$241	\$94	\$335	6.3%
Ind. Tier 2	91	\$766	\$841	\$94	\$935	8.7%
Ind. Tier 3	96	\$2,966	\$3,261	\$94	\$3,355	9.6%
NHH Tier 1	4502	\$226	\$251	\$94	\$345	7.8%
NHH Tier 2	383	\$796	\$876	\$94	\$970	8.9%
*NEW*NHH Tier 3 \$75,000 to \$249,999	249	\$2,966	\$3,261	\$94	\$3,355	9.6%
NEW NHH Tier 4 \$250,000-\$499,999	100	\$2,966	\$4,261	\$94	\$4,355	7% to 22%
NEW NHH Tier 5 over \$500,000	102	\$2,966	\$5,501	\$94	\$5,595	38% to -88%

Scenario 1 Examples

How do these changes effect companies?

- You may be wondering how these changes to single pesticide product fees will affect the total fee that your company pays.
- Most companies register multiple pesticide products that fall across a range of sales tiers and for some, span several categories.
- To get a rough idea of how the various models would affect the total fees paid by companies, we created several “model companies”
- These model companies represent a large, medium and small company for both HH and NHH and also, one for industrial.

DESCRIPTION OF MODELS USED

- Up until this point in the presentation, we have only been talking about single pesticide products.
- The following graphs show the total fees the model company would pay for the basket of pesticide products it has across several sales tiers.
- Please refer to your hand out to identify the specific assumptions made for each model company.

Model Companies

Large Household Registrant

Category	Number of Products	Sales Beyond 75K	Total Sales
Less than 25K	50	\$ 20,000,000*	\$ 22,000,000
25K to 75K	10		
75K>	30		
Total Products	90		

Medium Household Registrant

Category	Number of Products	Sales Beyond 75K	Total Sales
Less than 25K	20	\$ 300,000	\$ 400,000
25K to 75K	2		
75K>	3		
Total Products	25		

Small Household Registrant

Category	Number of Products	Total Sales
Less than 25K	5	\$ 50,000
25K to 75K	1	
75K>	0	
Total Products	6	

Large Nonhousehold Registrant

Category	Number of Products	Sales Beyond 75K	Total Sales
Less than 25K	110	\$ 20,000,000	\$ 22,000,000
25K to 75K	10		
75K>	30		
Total Products	150		

Medium Nonhousehold Registrant

Category	Number of Products	Sales Beyond 75K	Total Sales
Less than 25K	20	\$ 300,000	\$ 400,000
25K to 75K	2		
75K>	3		
Total Products	25		

Small Nonhousehold Registrant

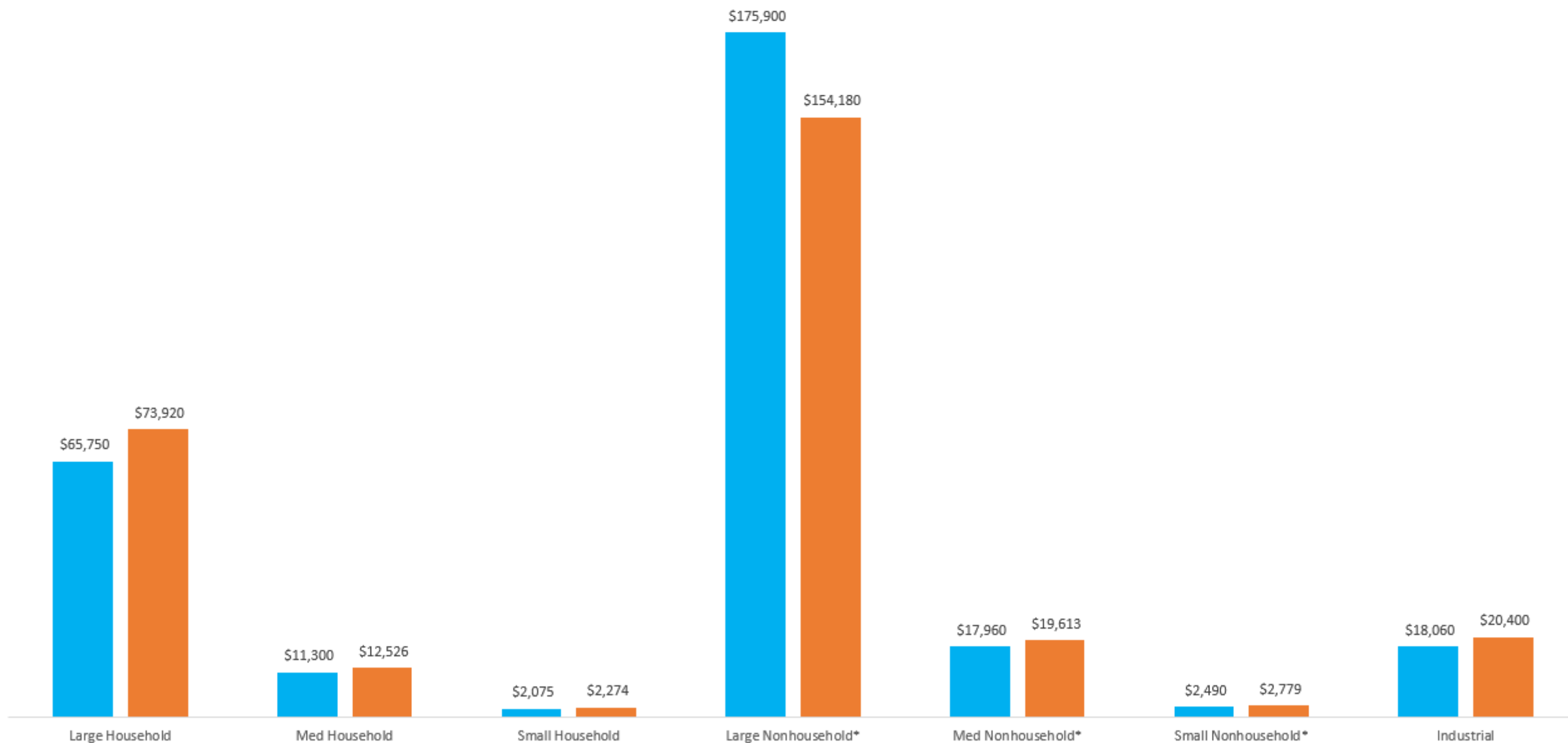
Category	Number of Products	Total Sales
Less than 25K	5	\$ 50,000
25K to 75K	1	
75K>	0	
Total Products	6	

Industrial Registrant

Category	Number of Products	Sales Beyond 75K	Total Sales
Less than 25K	20	\$ 500,000	\$ 700,000
25K to 75K	3		
75K>	3		
Total Products	26		

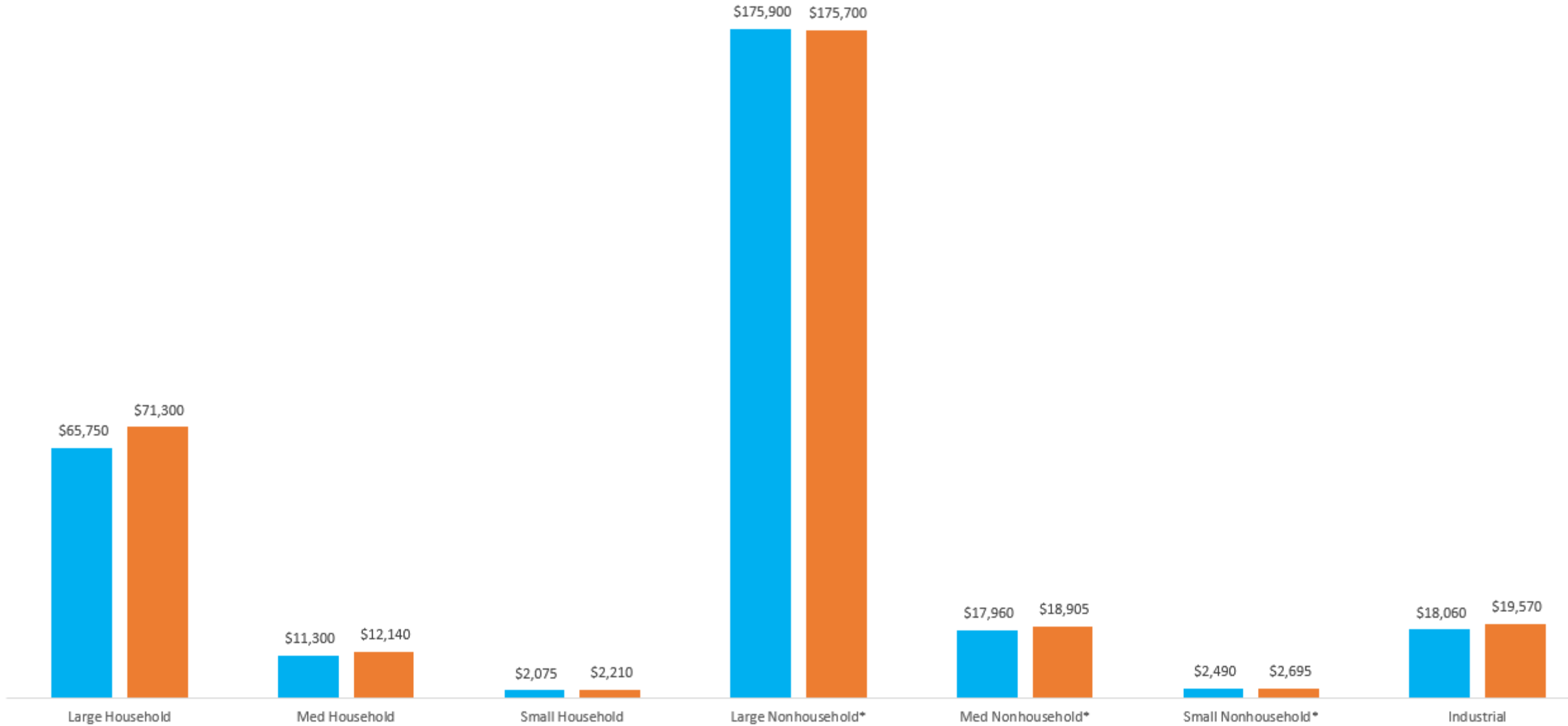
Scenario 1a Fees

■ Current ■ Scenario 1a



Scenario 1b Fees

■ Current ■ Scenario 1b



Scenario 1: Summary

Questions, Comments, Concerns

Scenario 2: Flat Fee

- Very simple
- Eliminate product types and sales tiers
- All products pay the same fee
 - Option 2a: Higher flat fee for all products
 - Option 2b: Lower flat fee per product + Registrant Fee (Former #5)

Scenario 2a: Flat Fee

Products in 2015	ACM Flat fee	DNR Fee	Total New Fee
12,014	\$452	\$108	\$560

	HH % increase or decrease	IND % increase or decrease	NHH % increase or decrease
Tier 1 products	111.3%	77.8%	75.0%
Tier 2 products	-25.3%	-34.9%	-37.1%
Tier 3 products	-62.7%	-81.7%	-81.7%

Sales-based Registrant Fee (former #5)

- Used in conjunction with Scenarios 2b, 3a and 3b only
- Tiers are combined product sales into Wisconsin, per registrant
- Based on sales only, not product types

Sales-based Registrant Fee (Former #5)

Sales Tiers				.1% of tier median	Estimated # of companies	Fee
Gross sales under \$25,000				\$25*	843	\$21,075
Gross sales \$25,000-\$99,999				\$75	159	\$11,925
Gross sales \$100,000-\$499,000				\$300	134	\$40,200
Gross sales \$500,000-\$999,999				\$750	41	\$30,750
Gross sales \$1,000,000-\$4,999,999				\$3,000	45	\$135,000
Gross sales \$5,000,000-\$24,999,999				\$15,000	23	\$345,000
Gross sales \$25,000,000 and over				\$25,000**	5	\$125,000
Total					1250	\$708,950

*Tier endpoint used; ** tier startpoint used

Sales-based Registrant Fee (formerly #5)

Questions, Comments, Concerns

Scenario 2b: Lower Flat Fee + Registrant Fee

Products in 2015	ACM Flat fee	DNR Fee	Total New Fee
12,014	\$392	\$108	\$500

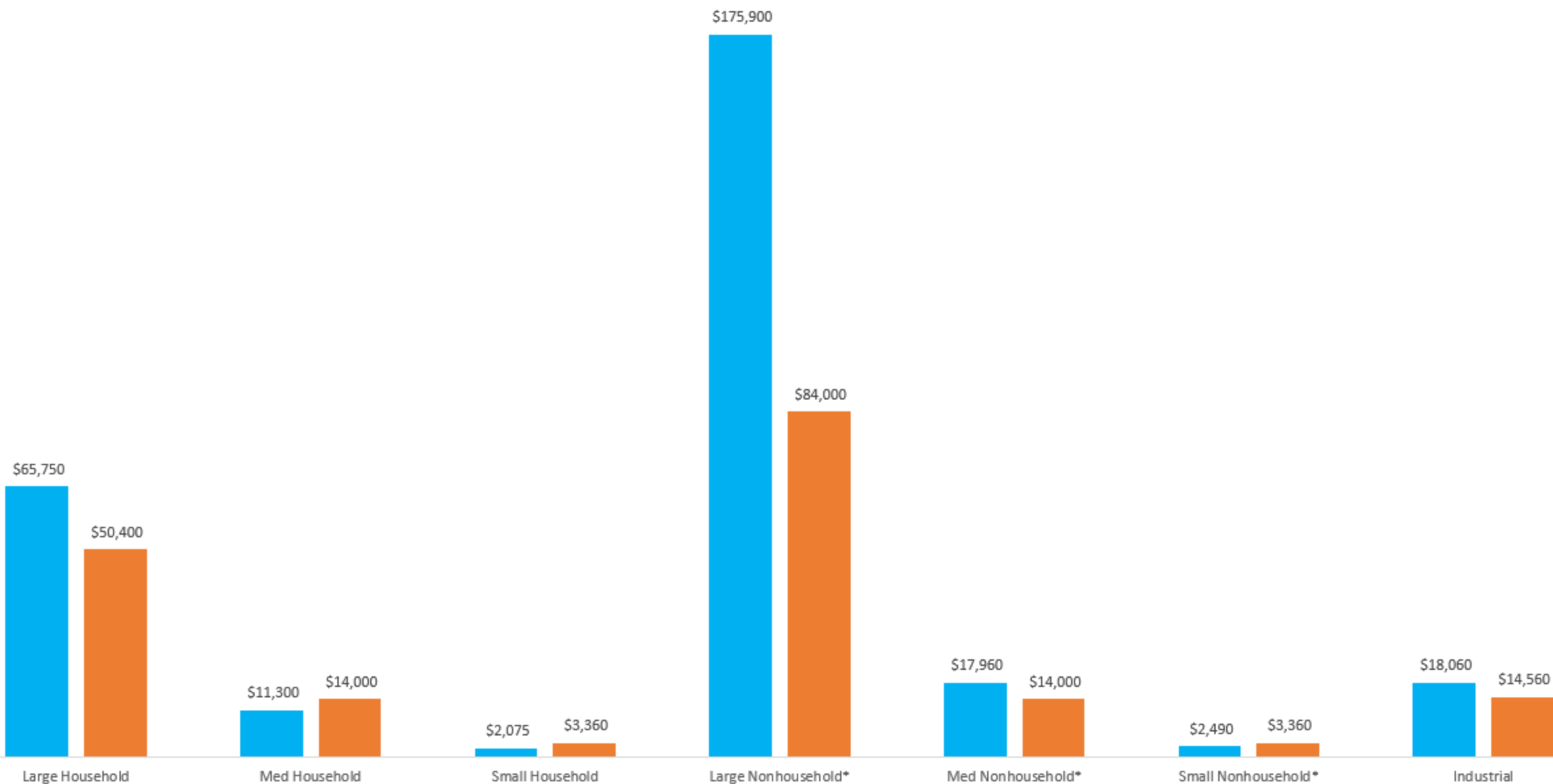
	HH % increase or decrease	IND % increase or decrease	NHH % increase or decrease
Tier 1 products	88.7%	58.7%	56.3%
Tier 2 products	-33.3%	-41.9%	-43.8%
Tier 3 products	-66.7%	-83.7%	-83.7%

+ Sales Based Registrant Fee

Scenario 2 examples

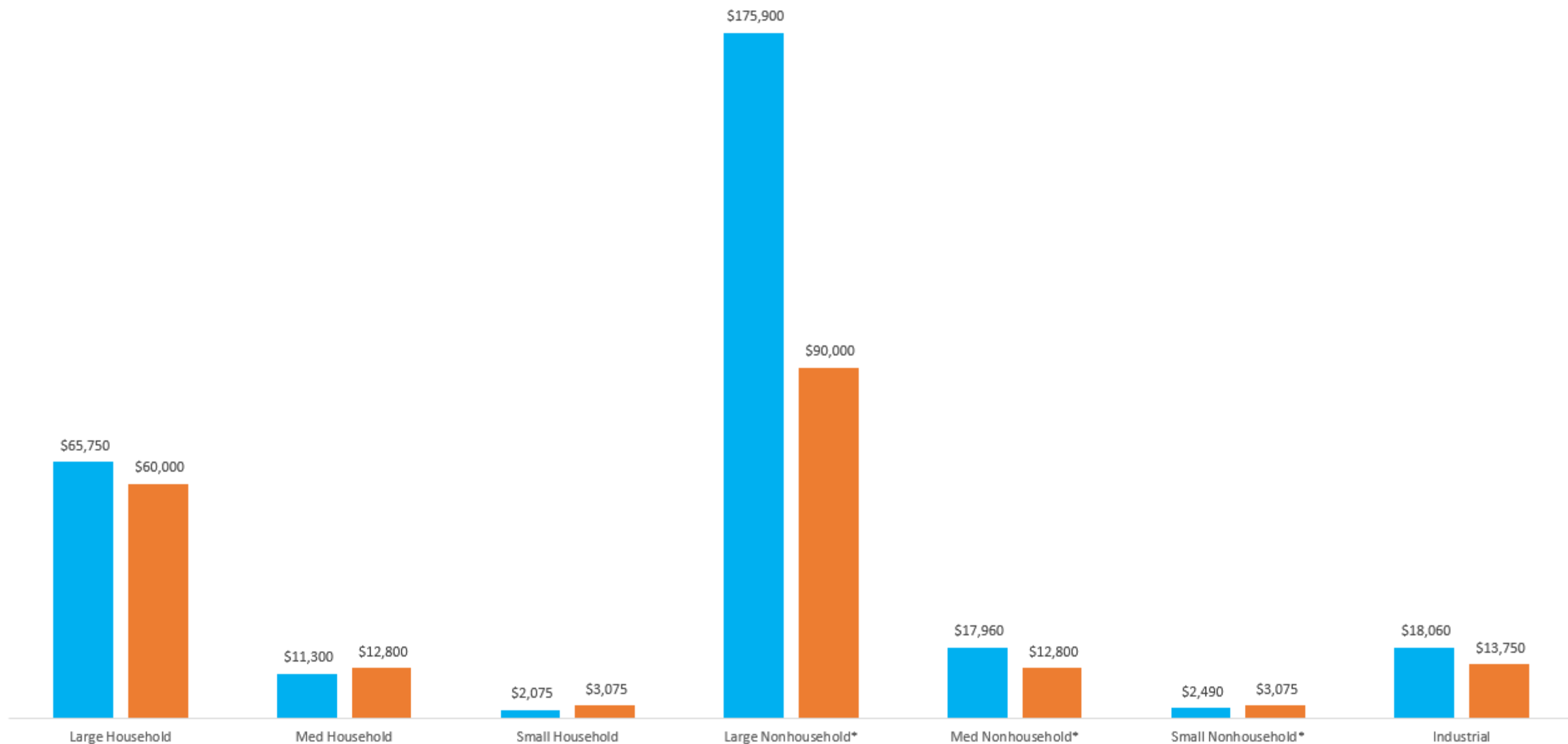
Scenario 2a Fees

■ Current ■ Model 2a



Scenario 2b Fees

■ Current ■ Model 2b



Scenario 2: Summary

Questions, Comments and Concerns

Scenario 3: Compress Sales Tiers

- Eliminate % of sales for NHH—Tier 3
- Pay based on previous year's sales
- Reduces number of sales tiers from 3 to 2
 - Option 3a: Compress Tier 1 and Tier 2
 - Option 3b: Compress Tier 2 and Tier 3
- Keeps product types
- Includes sales-based registrant fee (Former #5)

Scenario 3a: Compressed Tiers w/ registrant fee

Type	Sales Tier	Products in 2015	New ACM Fee	DNR Fee	Total New Fee
HH	<\$75,000	5223	\$221	\$124	\$345
HH	>\$75,000	426	\$2,001	\$124	\$2,125
Ind	<\$75,000	933	\$221	\$94	\$315
Ind	>\$75,000	96	\$2,606	\$94	\$2,700
NHH	<\$75,000	4885	\$221	\$94	\$315
NHH	>\$75,000	451	\$2,606	\$94	\$2,700

+ Sales Based Registrant Fee

Scenario 3: Percent Increase or Decrease

Type	Percent increase or decrease per product			
HH	30.2	Tier 1	-54.0	Tier 2
HH	41.7	Tier 3		
Ind	0.00	Tier 1	-63.4	Tier 2
Ind	-11.8	Tier 3		
NHH	-1.6	Tier 1	-64.6	Tier 2
NHH	-15.9	Tier 3		

Scenario 3b: Compressed Tiers w/ registrant fee

Type	Sales Tier	Products in 2015	New ACM Fee	DNR Fee	Total New Fee
HH	<\$25,000	4842	\$141	\$124	\$265
HH	>\$25,000	807	\$1,501	\$124	\$1,625
Ind	<\$25,000	842	\$201	\$94	\$295
Ind	>\$25,000	187	\$1,751	\$94	\$1,845
NHH	<\$25,000	4502	\$201	\$94	\$295
NHH	>\$25,000	834	\$1,751	\$94	\$1,845

+ Sales Based Registrant Fee

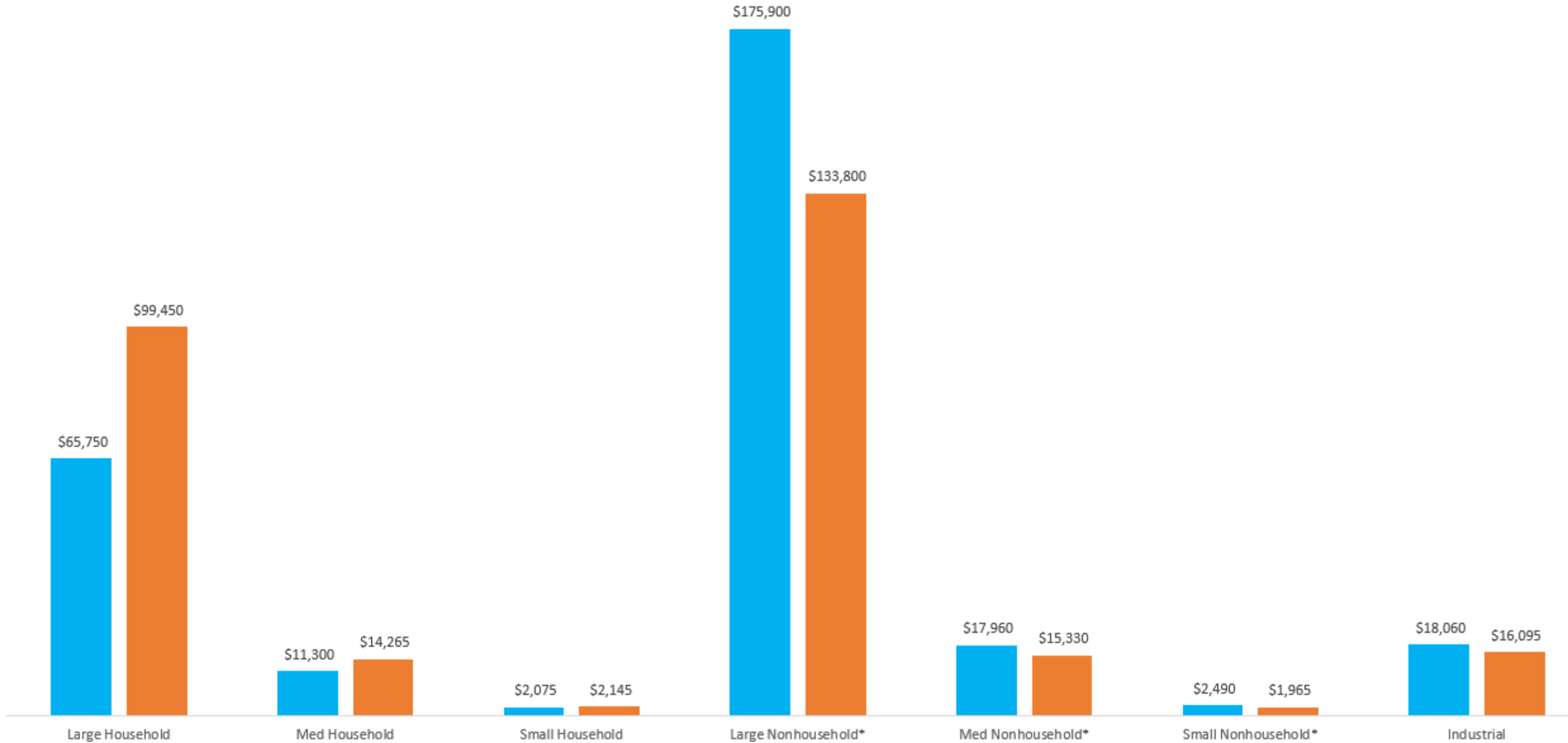
Scenario 3: Percent Increase or Decrease

Type	Percent increase or decrease per product			
HH			0.0	Tier 1
HH	116.7	Tier 2	8.3	Tier 3
Ind			-6.3	Tier 1
Ind	114.5	Tier 2	-39.7	Tier 3
NHH			-7.8	Tier 1
NHH	107.3	Tier 2	-42.5	Tier 3

Scenario 3 examples

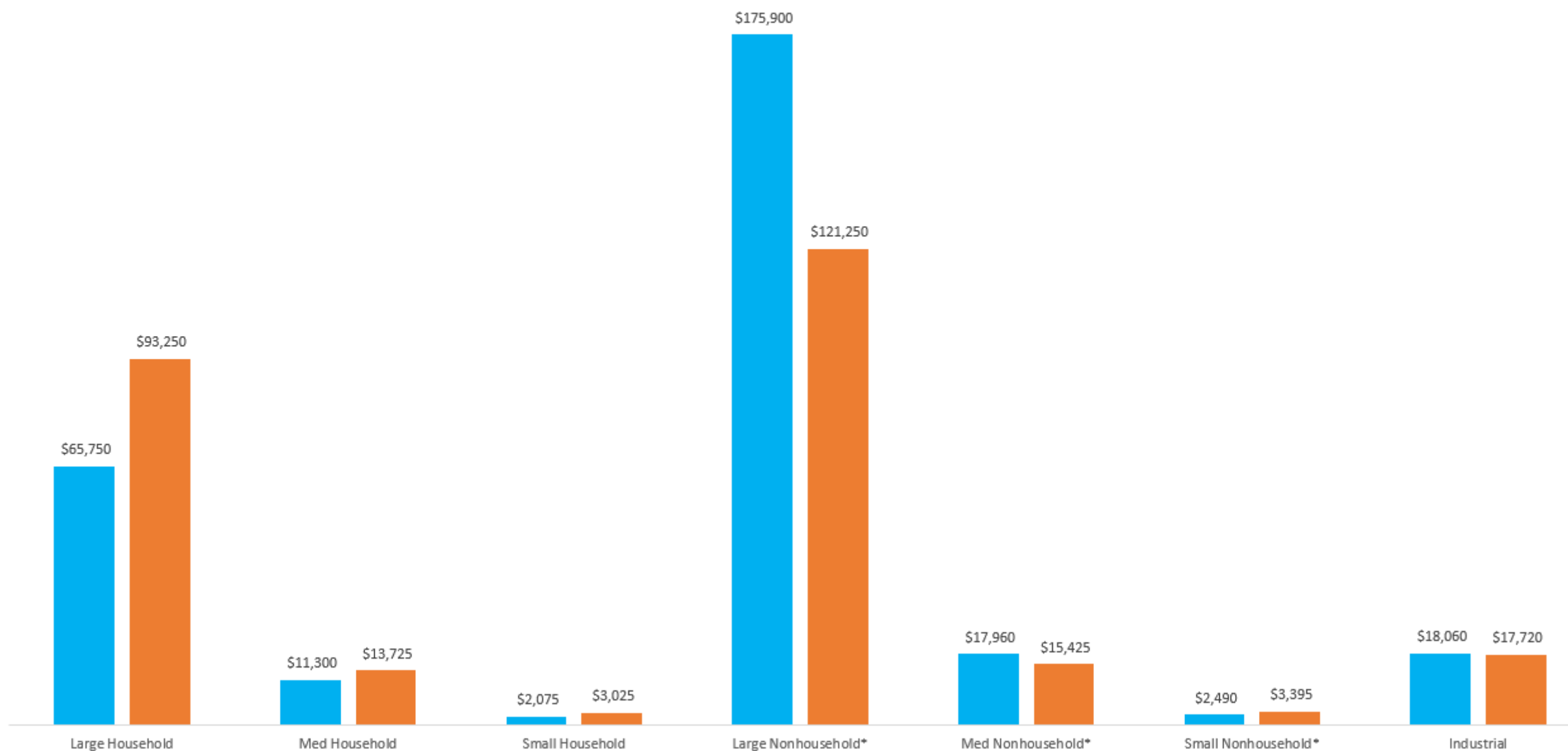
Scenario 3a Fees

■ Current ■ Model 3a



Scenario 3b Fees

■ Current ■ Model 3b



Summary: Scenario 3

Questions, Comments, Concerns

Scenario 4: Eliminate product types; keep sales tiers

- Eliminate product types
- No % of sales for NHH-Tier 3
- Keep sales tiers
 - 4a uses existing sales tiers
 - 4b creates new sales tiers
- Pay on previous year's sales; no estimation

Scenario 4a: No Product Types; keep sales tiers

Sales Tiers	Products in 2015	ACM Fee	DNR Fee	Total Fee
Tier 1	10,186	\$222	\$108	\$330
Tier 2	855	\$847	\$108	\$955
Tier 3	973	\$2,497	\$108	\$2,605

Sales Tiers	HH % increase or decrease	IND % increase or decrease	NHH % increase or decrease
Tier 1	24.5%	4.8%	3.1%
Tier 2	27.3%	11.0%	7.3%
Tier 3	73.7%	-14.9%	-18.8%

Scenario 4b: No product types; new sales tiers

Sales Tiers	Products in 2015	ACM Fee	DNR Fee	Total Fee
Tier 1	10186	\$217	\$108	\$325
Tier 2	855	\$817	\$108	\$925
New Tier 3 (\$75,000-\$249,999)	800	\$2,417	\$108	\$2,525
New Tier 4 (\$250,000-\$499,999)	100	\$3,017	\$108	\$3,125
New Tier 5 (Over \$500,000)	73	\$3,617	\$108	\$3,725

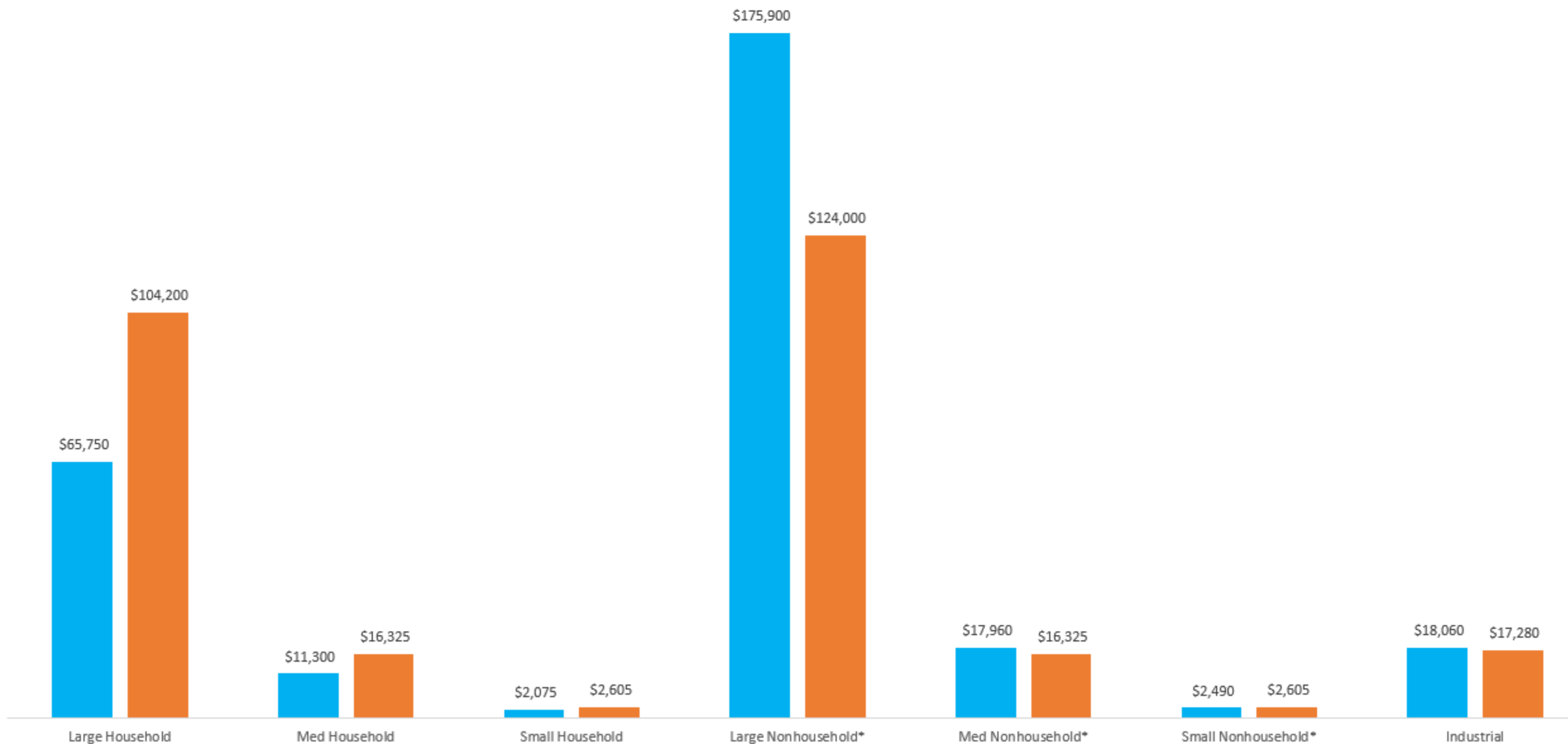
Scenario 4b: percent increase/decrease

Sales Tiers	HH % increase or decrease	IND % increase or decrease	NHH % increase or decrease
Tier 1 + New	22.6%	3.2%	1.6%
Tier 2	23.3%	7.6%	3.9%
Tier 3	68.3%	-17.5%	-21.3% (minimum)
Tier 4	108.3%	2.1%	-12.2% (minimum)
Tier 5	148.3%	21.7%	-8.3% (minimum)

Scenario 4 examples

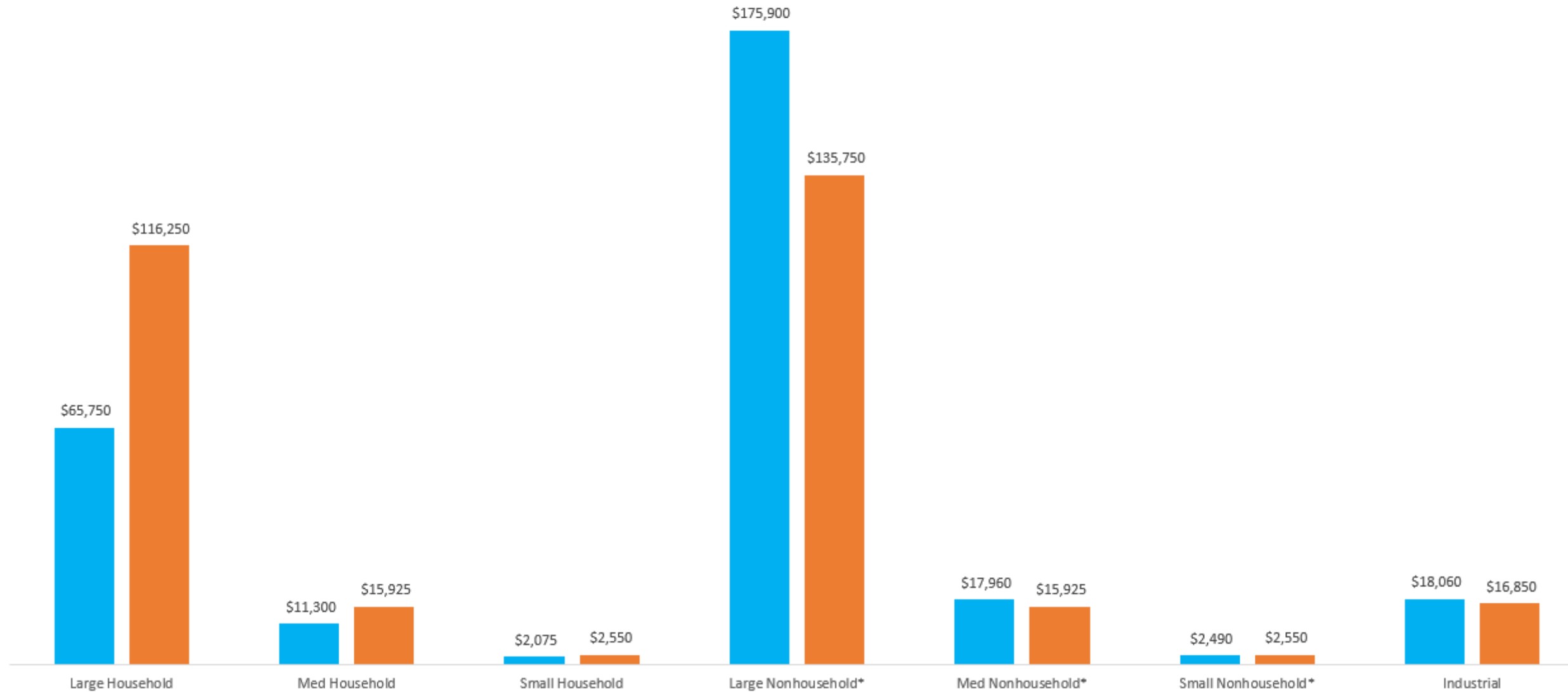
Scenario 4a Fees

■ Current ■ Model 4a



Scenario 4b Fees

■ Current ■ Scenario 4b



Scenario 4: Summary

Questions, Comments and Concerns

Summary of Scenarios - Features

Feature	Current process	<u>Scenario 0</u> Eliminate Estimate	<u>Scenario 1</u> Eliminate % of sales, ATB increase	<u>Scenario 2</u> Flat Fee	<u>Scenario 3</u> Compress Sales Tiers	<u>Scenario 4</u> Eliminate Product Types	<u>Former #5</u> Registrant Fee
Estimate/Reconcile	YES	NO	NO	NO	NO	NO	NO
Previous Years Sales	NO	YES	YES	NO	YES	YES	YES
Product Types	YES	YES	YES	NO	YES	NO	NO
Sales Tiers	YES	YES	YES	NO	YES	YES	YES
% of sale on NHH Tier 3 products	YES	YES	NO	NO	NO	NO	NO
Registrant fee based on gross sales	NO	NO	NO	MAYBE	YES	NO	YES
Revenue adequate	YES	YES	YES	YES	YES	YES	If with #2 or #3

Discussion, Other Ideas and Direction

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